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PROJECT NO. 51840

**RULEMAKING TO ESTABLISH § PUBLIC UTILITY COMMISSION
ELECTRIC WEATHERIZATION §
STANDARDS § OF TEXAS**

**STEERING COMMITTEE OF CITIES SERVED BY ONCOR'S COMMENTS
REGARDING DISCUSSION DRAFT AND QUESTIONS FOR COMMENT IN
PROJECT NO. 51840, RULEMAKING ESTABLISHING ELECTRIC
WEATHERIZATION STANDARDS**

The Steering Committee of Cities Served by Oncor (OCSC) submits these Comments to the Public Utility Commission of Texas (Commission) regarding the Discussion Draft and Questions for Comment in Project No. 51840, *Rulemaking Establishing Electric Weatherization Standards*. On July 19, 2021, the Commission proposed for discussion a draft of new 16 Texas Administrative Code (TAC) § 25.55 to implement weather emergency preparedness measures for generation entities and transmission service providers in the Electric Reliability Council of Texas (ERCOT) power region, as required by Senate Bill 3, 87th Legislature Session (Regular Session). The Discussion Draft was proposed following an initial Request for Comments.¹

Commission Staff requested comments on the Discussion Draft in general and also requested comments on the following questions:

1. What is the availability of statistically reliable weather information from, e.g. the American Society of Heating, Refrigeration and Air Conditioning Engineers; National Weather Service; or other sources for the ERCOT power region? Please share the source of that information.
2. Do existing market-based mechanisms provide sufficient opportunity for cost recovery to meet the weather reliability standards proposed in the discussion draft? If not, what cost recovery mechanisms should be included in the proposed rule?

The Commission requested comments from interested parties be filed by July 30, 2021. Therefore, these Comments are timely filed.

¹ Commission Staff's Request for Comments (Jun. 9, 2021). OCSC filed comments in response. *See* OCSC's Comments Regarding Project No. 51840 Rulemaking Establishing Electric Weatherization Standards (Jun. 23, 2021).

I. COMMENTS

As requested,² OCSC provides the following executive summary at the outset of its comments:

- Any mechanism considered by the Commission with regard to cost recovery for the implementation of weather reliability standards should be narrowly tailored to a numbered set of marginal generators. Compliance with weather reliability standards should not be funded purely by customers.
- ERCOT must be fully supported by the Commission and its new Board of Directors in order to achieve its new responsibilities with regard to weatherization.
- ERCOT should ensure full transparency in the creation and development of new Nodal Protocols needed to implement the Commission's new 16 TAC § 25.55.
- Clarifying language is needed to determine how the ERCOT weather study is used as an input to developing the weather reliability standards.
- The content of the compliance standards section is vague and needs more specific, actionable language.
- Black Start Service (BSS) generating units should be required to comply with the BSS weather reliability standard sooner than November 30, 2023.
- The Discussion Draft creates an "enhanced weather reliability service standard," but this standard is not used anywhere in the proposed rule.
- The language in the proposed 16 TAC § 25.55(h)(2) is vague and should include directory requirements regarding priority and a timeline to cure violations.

OCSC's interest in the matters at issue in this Project arise from its dual role as both electric consumers in their own right, procuring power in the deregulated retail market for crucial public functions such as fire, police, and water service, and as advocates on behalf of the retail customers who reside or do business within their corporate limits. Winter Storm Uri represented one of the most significant challenges to the ERCOT market since the market opened, and put tremendous strain on the ability of municipalities and other political subdivisions to provide for public health, safety, and welfare. Cities provide essential first-responder services and critical public services

² "Commission Staff requests that all commenters include a bulleted executive summary to assist in review of the filed comments." Commission Staff's Discussion Draft and Questions for Comment (Jul. 19, 2021).

that were hampered, and even incapacitated, by the power outages resulting from Winter Storm Uri. As a result, OCSC's concerns and experiences during Winter Storm Uri prompt its support for the establishment of weather reliability standards as proposed in Commission Staff's Discussion Draft. OCSC believes the Commission's Discussion Draft offers weather reliability standards for both generation providers and transmission facilities which are appropriate after Winter Storm Uri, and OCSC looks forward to participating in the development of the new weatherization rule implementing Senate Bill 3.

OCSC offers no comments on Commission Staff's first question regarding the availability of statistically reliable weather information from a variety of sources, but instead, will focus its brief comments on Commission Staff's second question regarding whether existing market-based mechanisms provide sufficient opportunity for cost recovery to meet weather reliability standards.

With regard to cost recovery for the implementation of weather reliability standards, OCSC believes that any mechanism considered by the Commission should be narrowly tailored to a numbered set of marginal generators. That narrowness should be informed by Texas's basic approach to the deregulated wholesale market. While ERCOT and the Commission have long required generators to meet a wide variety of reliability criteria—some of which require investment, or additional expense—the ERCOT market design has not provided for specific, quasi-regulated cost recovery of those items. The Texas market model instead presumes that those costs are reflected in wholesale prices, particularly so since those requirements generally apply to all generators (absent a grandfathering provision, or other narrowly-tailored exception). OCSC understands that some physical and financial risks will always be borne in part by customers. However, a key underlying objective of provision of electric service through competitive markets is to shift financial risks from customers to the market. Consistent with that objective therefore, OCSC believes generally that existing market-based mechanisms provide sufficient opportunity for cost recovery in most circumstances to meet the weather reliability standards proposed in the Discussion Draft.

However, reliability remains a top priority for OCSC members and their customers, especially so in the aftermath of Winter Storm Uri. OCSC is concerned about the unintended consequences of requiring certain marginal generating units to comply with weather reliability standards, such as these marginal units retiring instead of investing in weatherization to comply with the new standards, thus removing necessary generating capacity from the grid. This result

would be an unacceptable consequence exacerbating the problem that led to Winter Storm Uri. Therefore, OCSC understands that some generating units operating on the margin may require financial assistance in order to meet the weather reliability standards proposed in Commission Staff's Discussion Draft. However, any financial assistance to provide cost recovery mechanisms to meet the weather reliability standards should be limited only to generators operating at the margin.

OCSC supports the Discussion Draft and the development of weather reliability standards for both generation providers and transmission facilities. However, the proposed new rule creates a significant responsibility placed on ERCOT that has never before existed, which requires both additional expertise and resources at ERCOT. In order to achieve its new responsibilities with regard to weatherization, ERCOT must be fully supported by the Commission and its new Board of Directors. ERCOT should also ensure full transparency in the creation and development of new Nodal Protocols needed to implement the Commission's new 16 TAC § 25.55.

With regard to the Discussion Draft in general, OCSC believes it is unclear how the ERCOT weather study is used as an input to developing the weather reliability standards. The proposed language indicates that some generating units must meet compliance deadlines before the weather study has been incorporated into the weather reliability standards. The content of the compliance standards section is vague. Further, OCSC is concerned that Black Start Service (BSS) generating units do not have to comply with the BSS weather reliability standard until November 30, 2023, which is more than two years away. BSS generating units are a top priority to the grid's reliability, and these units should be in compliance with the new weather reliability standards as soon as practicable. Further, Commission Staff's Discussion Draft creates an "enhanced weather reliability service standard," but this standard is not used anywhere in the proposed rule. Lastly, the language in the proposed 16 TAC § 25.55(h)(2), related to violations of BSS weather reliability standards, allows for the continued use of the BSS generating unit "if [ERCOT] determines that the resource is needed for reliability reasons and must direct the generation entity to use best efforts to expeditiously cure the violation." This language is vague and should instead include directory requirements regarding priority and a timeline to cure the violation.

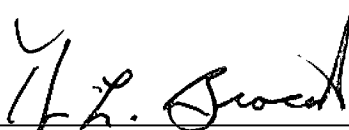
OCSC continues to highlight several points, on a broader scale, that the Commission should keep in mind as it develops the new 16 TAC § 25.55 to implement weather emergency preparedness measures for generation entities and transmission service providers in the ERCOT

power region, and other rules. First, and as stated above, one purpose of the competitive market is to shift financial risks from customers to market participants. The Commission should therefore refrain from enacting rules that unduly shift financial risks back to customers. In addition to cost containment, grid reliability and the maintenance of critical customer services are of top priority to OCSC.

OCSC, as both electric consumers and as advocates on behalf of retail customers who reside or do business within the corporate limits of cities across the state, is interested in ensuring resource reliability during all weather emergency conditions through the creation of weather reliability standards adopted by the Commission. However, compliance with weather reliability standards should not be funded purely by customers. OCSC looks forward to the development of weather reliability standards and in assisting in the rulemaking process in any way it can. OCSC appreciates the opportunity to submit these Comments to the Commission.

Dated: July 30, 2021

Respectfully submitted,



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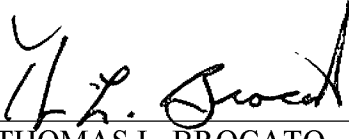
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ATTORNEYS FOR STEERING COMMITTEE OF
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CERTIFICATE OF SERVICE

I certify that, unless otherwise ordered by the presiding officer, notice of the filing of this document was provided to all parties of record via electronic mail on July 30, 2021, in accordance with the Order Suspending Rules, issued in Project No. 50664.

A handwritten signature in black ink, appearing to read "T. L. Brocato", is written over a horizontal line.

THOMAS L. BROCATO